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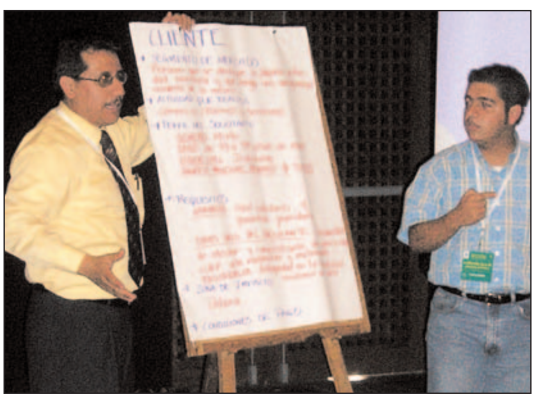
IMPLEMENTATION OF THE USAID/MEXICO MICROENTERPRISE STRATEGY

FINAL REPORT



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Implementation of the USAID/Mexico Microenterprise Strategy Project

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Final Report

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ABOUT THIS REPORT

In this report, we tell the story of what the USAID/Mexico Microenterprise Strategy project achieved, as well as the lessons learned and best practices that emerged through its implementation. It is not meant to be a comprehensive list of all project activities—that is available in the quarterly and annual reports, and annual work plans—but rather an analysis of what worked and what did not, with the hope that our experience can benefit those who come after us.

ACRONYMS

ALIANZA	Federación ALIANZA
ADMIC	ADMIC Nacional
ANMYF	Asociación Nacional de Microfinancieras y Fondos
BANSEFI	Banco del Ahorro Nacional y Servicios Financieros
CAME	Centro de Atención al Microempresario
CF	Crédito Familiar
CGAP	Consultative Group to Assist the Poorest
CNBV	Comisión Nacional Bancaria y de Valores
COMACREP	Consejo Mexicano del Ahorro y Crédito Popular
DCA	Development Credit Authority
FEDRURAL	Federación de Instituciones y Organismos Financieros Rurales
FIMEDER	Financiera Mexicana para el Desarrollo Rural
FINCA/MEXICO	Fundación Integral Comunitaria.
FINCOMÚN	Servicios Financieros Comunitarios
FINE	Federación Integradora Nacional de Entidades
FINSOL	Financiera Solidaria
MFI	Microfinance Institutions
MIS	Management Information System
PD	ProDesarrollo, Finanzas y Microempresas
PRONAFIN	Nacional Microenterprise Finance Program
SCL	Popular Savings and Credit Law
SPD	Supervisora Prodesarrollo
UP	Unión de Crédito Progreso
UNISAP	Unión de Sociedades de Ahorro y Préstamo
USAID	United States Agency for International Development

SECTION I

Project Overview and Background

During the 1980s and 1990s, Mexico transformed its economy through ambitious reforms, including trade liberalization, deregulation, and privatization of most state-owned industries. Despite these advances, the country has not been able to sustain the high levels of growth required to create the one million new jobs annually needed to absorb new entrants into the workforce and address poverty. Income inequality increased during the period, and un- and underemployment rates remained high. By the end of the 1990s, roughly 50 percent of Mexico's 100 million people lived below the poverty line and 42 percent of rural families lived in extreme poverty.

During the early 1990s, more than 90 percent of Mexico's businesses were microenterprises, and they employed between 60 and 70 percent of the nation's people. Their importance as a source of income and employment is thought to have increased throughout the decade as a result of the 1995 Peso Crisis and the subsequent recession. The majority of microenterprises—formal or informal—lacked access to financial services to meet their working capital needs or invest in assets to strengthen their businesses.

A. The Microfinance Sector

Historically, Mexican commercial banks have been hesitant to lend to the microenterprise sector. The 1995 Peso Crisis exacerbated this situation, and banks focused almost exclusively on middle and high income clients. As in other countries, specialized microfinance institutions (MFIs) emerged to fill this gap. However, they were few in number and could meet only a fraction of the potential demand for microenterprise services. Although a large number of cooperative institutions existed, only a few targeted microentrepreneurs. According to a USAID study, in the late 1990s there were approximately 10 MFIs serving at most 100,000 low-income clients.[1]

The growth capacity of these MFIs, most of which were NGOs, was hindered by weak financial management skills due to the absence of technical assistance and training for staff. While a few Mexican MFIs gained international attention for innovation, exposure to and adoption of microfinance best practices were limited in the sector, and MFI staff productivity was considerably lower than international standards.

An inadequate regulatory environment contributed to poor financial management and a lack of access to capital, which constrained the ability of MFIs to expand microfinance services. Since most MFIs were neither regulated nor supervised, they were prohibited from capturing savings to reduce donor dependence and finance expansion. Despite this prohibition, some unregulated institutions took advantage of loopholes in the legal framework or simply flouted the law and captured savings, thereby placing the hard-earned savings of low-income populations at risk. Even those MFIs that could—or did—capture savings were unable to generate enough internal

[1] USAID/Mexico Microenterprise Strategy, September 2000.

capital for significant growth, and commercial banks showed little interest in lending to MFIs for microenterprise activities.

Finally, there was little cooperation and coordination among MFIs. This not only impeded collaboration addressing common institutional weaknesses, but also undermined the sector's capacity to promote public policies that would benefit its institutions and clientele, including the creation of an appropriate regulatory environment.

As USAID concluded, "…microenterprise growth in Mexico cannot reach the necessary levels to improve the economic well-being of the poor unless the institutional base for delivering financial services to microenterprises is present and functioning effectively."[2]

B. Implementation of the USAID/Mexico Microenterprise Strategy Project

In recognition of the constraints on microenterprise and microfinance growth, in 1999 USAID worked with Mexican microenterprise service providers (MFIs, networks, and associations) to develop the USAID/Mexico Microenterprise Strategy. The Strategy was approved in January 2000, adding a new Special Objective to the mission's portfolio, to "strengthen the institutional base for sustainable microenterprise growth by supporting Mexican initiatives." Implementation of the Strategy began in November 2000, with the creation of the Implementation of the USAID/Microenterprise Strategy project.

As suggested by the wording of the SO, the Strategy was highly demand-driven.
The project team worked closely with leading MFIs, other microenterprise service providers, and USAID to identify and remove obstacles to microenterprise and microenterprise finance growth at the MFI, second tier institution, and policy levels. While specific objectives changed over time in response to market demand and opportunities, projects activities were directed primarily at:

- Strengthening the regulatory and supervisory environment
- Strengthening select microfinance institutions
- Increasing access to microfinance best practices through support for sector-wide training initiatives
- Increasing understanding of the role of microenterprise in the Mexican economy and its relation to migration

The project was modest in terms of financial and human resources, and during most of the life of the project, there was only one long-term technical advisor in country. Nonetheless, the Strategy project was highly successful in laying the institutional groundwork for the expansion of microenterprise, and in many cases exceeded expectations. With project support:

- A law to regulate and supervise MFIs and savings and loan cooperatives serving the poor and unbanked was drafted and approved.
- The capacity of the National Banking Commission (CNBV) to supervise MFIs was strengthened.

[2] Ibid.

- New financial products and microfinance methodologies were designed and introduced.
- International best practices in microfinance in areas such as internal control, good governance, delinquency management, and strategic planning were adopted.
- Coordination and collaboration within the microfinance sector increased and the capacity of the sector to advocate on its own behalf was enhanced.
- A local source of permanent, high quality training in microfinance best practices was created.
- Partner MFIs expanded reliable credit and savings services to [illegible]430 new clients.[3]

C. Key Success Factors

Many factors contributed to the program's success in laying the institutional groundwork for the sustainable expansion of microfinance in Mexico, and five of them were particularly critical in all project activities and serve as lessons learned for future support. First, to leverage available resources, project interventions were carefully selected to **address key constraints and/or produce maximum demonstration effects** to achieve the greatest impact. For example, MFI partners were selected, in part, based on their potential to serve as market leaders and demonstrate replicable models of best practices to other MFIs.

Second, the project placed a premium on the consistent **provision of high quality, practical technical assistance and training**. This was particularly important in Mexico. Until recently, there were few international donors operating in Mexico and few MFIs were accustomed to receiving external technical assistance. To encourage the adoption of best practices, it was critical to gain the confidence of partners by demonstrating the practical value of new practices to their operations. As more international service providers entered the market, the project distinguished itself by the quality and practical focus of its assistance.

Third, the Strategy project took a collaborative approach with partners to **develop local capacity**. This went beyond a simple demand-driven approach. Project partners were encouraged to participate not only in needs assessments, but also in the design and application of solutions. Project staff and consultants served as facilitators or coaches. For example, in the project's policy work, emphasis was placed on educating practitioners and policymakers to provide them with the tools needed to develop their own proposals for policy reform.

Fourth, **close collaboration with and support from the USAID/Mexico Mission** was essential. As a result of this collaboration and support, the project was able to respond quickly to changing circumstances and adapt project goals and activities to new opportunities. For example, the USAID/Mexico Microenterprise Strategy identified an inadequate regulatory environment as a serious impediment to the growth of microenterprise and microfinance. However, when the Strategy was approved, there was little prospect of legislative action for political reasons. Consequently, the project included limited technical assistance and training to assist MFI partners in studying a system of self-regulation.

The July 2000 election of President Vicente Fox, and a series of credit union failures the same year, led to public sector interest in supporting microenterprise growth and strengthening the microfinance sector through regulation and supervision. USAID's willingness to modify and

[3] Includes MFI partners FIMEDER, FINCA, Fincomún, and Unión Progreso.

expand the scope of work of the project allowed the project team to make a significant contribution to the framing of the law and implementing regulations, and supply the technical assistance partner MFIs needed to adapt to the new framework. As a result, Mexico enjoys a policy environment more conducive to microenterprise and microfinance growth, and USAID has become a respected source of technical advice on regulatory issues.

Finally, project staff took time to **cultivate relationships with partner institutions and other key stakeholders in the sector**, which facilitated their acceptance of the technical assistance. The project also promoted dialogue and collaboration among stakeholders, which contributed to a better informed, and better organized sector, which was a key objective of the project.

D. Project Partners

When the Strategy was designed, the project was expected to target assistance to a limited number of partners because of the scarcity of viable MFIs in the sector, and to achieve maximum impact with limited resources.

In the project contract, four MFIs—ADMIC, Crédito Familiar, Fincomún, and Unión Progreso—were pre-selected for participation, based on their commitment to the project objectives and target market, their financial viability, and their potential to showcase best practices and diverse, replicable microfinance models. In addition, it was expected that the project would work closely with the ProDesarrollo, in its capacity as coordinator of MFI partners' participation, to identify joint initiatives to strengthen the sector; and to fortify the capacity of the network itself to serve member institutions. The project worked with a small core of partners throughout the life of the project, although the composition of partners changed and expanded in response to demand. After initial success working with ADMIC and Crédito Familiar, both ultimately decided not to continue work with the project—ADMIC because it had another source of technical assistance and Crédito Familiar because of a change in ownership.

New partners, such as FINCA, CAME, and FIMEDER joined the project, as did the Supervisora ProDesarrollo and FEDRURAL federations. We also worked with the National Banking Commission to strengthen the regulatory and supervisory environment, and to a lesser degree, with the Ministry of Economy on sector-wide initiatives.

More limited assistance was provided to the FINE, the Alianza and UNISAP federations, and to the COMACREP confederation to strengthen the regulatory framework. By designing and sponsoring workshops and training initiatives, the project reached more than 90 non-bank financial institutions that serve microentrepreneurs. The success of the project in laying the institutional foundations for sustainable microenterprise growth can be attributed in great measure to the commitment of these partners to their own institutional growth and the advancement of the MFI sector as a whole.

Table 1. Project Partners

Organization/Agency	Principle Activities/Programs
FINCA	• Strategic planning • Marketing • Market research
Fincomún	• Strategic and business planning • Marketing • Credit and savings policies and procedures • Internal control • DCA guarantee
FIMEDER	• Governance • New product development • Loan collection • Staff incentive plans • Marketing
CAME	• Institutional strengthening
Unión Progreso	• Strategic and business planning • New product development • Organizational design • Credit policies and procedures • Loan collection • DCA guarantee
Crédito Familiar	• Product development
ADMIC	• Savings, • Internal control • Business planning • Human resource development
ProDesarrollo: Finanzas y Microempresa	• Institutional strengthening • Advocacy and regulatory reform • Sector-wide training initiatives
Supervisora ProDesarrollo	• Institutional strengthening • Advocacy and institutional reform
FedRural	• Institutional strengthening • Advocacy and regulatory reform
The National Banking Commission	• Institutional strengthening • Regulatory reform
The Ministry of Economy	• Institutional strengthening • Sector-wide training initiatives

SECTION II

Major Accomplishments and the Project Approach

In this section, we discuss the principal accomplishments of the project and the strategies used to achieve them. The discussion is divided into four areas, reflecting the key contract objectives and activities: Strengthening the regulatory and supervisory environment, strengthening MFIs, supporting sector-wide Mexican training initiatives, and increasing understanding of the role of microenterprise.

A. Strengthening the Regulatory and Supervisory Environment

An improved regulatory and policy environment is perhaps the project's most far-reaching achievement. When the project began in 2000, the financial sector was governed by a complex and confusing set of laws and regulations. Formal, regulated financial institutions were governed by at least seven pieces of legislation. The "popular finance" sector—comprised of cooperatives, savings and loans societies, credit unions, "cajas solidarias," and a variety of associations or non-governmental organizations serving microenterprises and other populations lacking access to commercial banks—was equally complex. Each institutional type had its own legal framework, many of which prohibited capturing and on-lending savings. The legal frameworks were often contradictory and failed to provide the oversight necessary to ensure the sound operational and financial management required for the expansion of sustainable microfinance services. Few were formally supervised by Mexico's National Banking Commission (CNBV), a regulatory agency.

The Popular Savings and Credit Law (SCL), approved in June 2001, and amended in January 2002 and again in 2003, simplifies and strengthens the legal and regulatory framework. The law requires more than 650 deposit-taking financial institutions to transform into one of two legal structures: non-profit savings and credit cooperatives or for-profit popular savings and credit corporations. Both types of institutions will be supervised by the CNBV, with support from supervisory federations formed by popular finance institutions.

The project contributed to the design and implementation of the improved environment in three ways: by helping strengthen the legislation; by participating in the development of prudential regulations—commonly referred to as secondary regulations—that establish how entities will operate and be supervised on a day-to-day basis; and by supporting the creation and strengthening of the supervisory structures necessary for successful implementation. All of our activities were demand-driven and the project's accomplishments would not have been possible without the dedication and determination of our partner organizations.

Strengthening legislation. The election of President Vicente Fox helped create the political climate for regulatory reform. However, since most popular finance institutions had never been regulated and supervised by the financial authorities, there was little local experience and expertise in designing appropriate legislation. The opportunities and the risks were clear: a well designed framework could facilitate the expansion of reliable financial services, while a poorly designed or implemented framework could force potentially viable microfinance institutions to shut their doors and reduce microenterprises' already limited access to crucial financial services.

A late 2000 draft of the legislation contained several weaknesses. Among the most critical was the fact that the draft was cooperative-oriented and it contained provisions that would be detrimental to savings and credit corporations, including MFIs and other institutions wishing to add microcredit methodologies to their product mix.[4] Other weaknesses included confusion and conflicts of interest built into the supervisory structures, inconsistency among provisions, and provisions open to contradicting interpretations. Furthermore, by attempting to do too much, the legislation risked moving the sector from one extreme to another: from the near absence of regulation to a climate of excessive regulation.

To strengthen the legislation, the project had two options: render an "expert opinion" or build local capacity to foment change from within the CNBV and the sector itself. The project opted for a long-term approach by increasing local exposure to best practices in regulation and supervision, and improving communication among stakeholders. When the project began, policymakers and regulators had had minimal exposure to such practices, and they were unfamiliar with the products and services, methodologies, clienteles, and risk structure of microfinance operations. MFI practitioners were also unfamiliar with regulatory best practices. Moreover, there were deep divisions within the sector regarding the value of regulation. The sector needed informed, agreed-upon proposals for regulatory reform to present to the GOM.

- ***Increased knowledge of best practices and improved communication.*** Working with ProDesarrollo, the project sponsored workshops for practitioners, policymakers, and regulators to address critical issues in regulation and supervision, bringing international experts to Mexico. Observational tours to Bolivia, Peru, Costa Rica, Colombia, and Brazil were also organized to study best and worst practices in microfinance regulation. These workshops and tours were instrumental in bringing together legislators, GOM officials, and MFI officers, in stimulating dialogue, and generating **greater consensus on the importance and characteristics of effective regulation**.

- ***Stronger local advocacy efforts.*** ProDesarrollo, a microfinance network, had long taken an interest in legal and regulatory reform, but it lacked knowledge of regulatory legislation. Consequently, the network's capacity to influence the design of legislation was limited. At ProDesarrollo's request, the project provided technical assistance to analyze the legislation and develop a series of recommendations for its drafters. As highlighted in the box below, many of the recommendations developed by ProDesarrollo with project support were adopted, leading to vital improvements in the legislation. **The result is a law that is easier to understand and apply consistently, and more effectively promotes the sound financial management and expansion of cooperatives and MFIs**.

[4] As specialized, non-member-based financial institutions, MFIs are expected adopt the figure of savings and credit corporations.

Impact: Key Modifications Introduced into the Savings and Credit Law

A realistic deadline. The original deadline for transformation was June 2003, just 24 months after starting operations. That deadline was unrealistic given the amount of work to be performed by the GOM and other institutions, and it was thus extended to June 2005. Though still not ideal, the extension provides a more realistic timeframe for financial institutions to develop the capacity to become authorized to operate under the law, and for the financial authorities to develop the structures and methods needed to effectively regulate and supervise the sector, thereby increasing the chances for success.

Better ownership guidelines for MFIs. Individuals may now acquire up to 10% of a transformed MFI's total stock, while not-for-profit entities may own up to 30%. Based on nonprofit cooperatives' member-owned, one-vote-per-member ownership structure, the original legislation imposed a limit of 1% stock ownership on individual stockholders. In for-profit savings and credit corporations, however, rapid capitalization and effective management are dependent on majority stockholders who take an interest in protecting their investment. Consequently, this modification allows institutions to capitalize with fewer stockholders, creating an ownership structure more conducive to sound governance and financial management.

Reduced potential conflicts of interest. Members of the supervisory federations' supervision committees are now better protected from undue influence from the board of directors. Originally, the legislation stipulated that the federation board of directors would appoint and dismiss supervision committee members and staff at their discretion. Since functionaries of federation affiliates are members of the board of directors, member institutions—through the board—could exert undue influence on the decisions of the supervision committee. Now, the CNBV approves member appointments and dismissals, the committees appoint their own personnel, and supervision reports are sent directly and simultaneously to the CNBV and board of directors. Furthermore, federations and confederations may now appoint independent board members to their organizations. The professionalization of federation boards further reduces the potential for conflicts of interest that may emerge when board members are also representatives of member institutions.

Broader credit approval authority. Initially, the legislation dictated that loan approvals be made by a centralized credit committee, which would prohibit MFI loan officers from making decisions on client loans. This decentralized approach to loan review and approval is one of the attributes of microcredit methodologies that permit MFIs to rapidly and efficiently expand access to credit. The legislation was revised to permit credit committees to delegate loan approval authority, enabling MFIs to continue applying microcredit best practices.

Streamlined supervisory authority. Regulatory and supervisory authority has been centralized within the CNBV with only a few, discrete exceptions, such as the authority of the Ministry of Finance to regulate and supervise activities related to money laundering. Initially, supervisory authority was shared by three independent GOM agencies, raising the potential for confusion and conflicts of interest.

Redefining the scope of regulation. MFIs and informal groups of 250 or fewer members with assets less than USD100,000 are now exempt from regulation and supervision. As originally drafted, the legislation would have required all MFIs and informal savings and credit groups—including rotating savings and credit associations (ROSCAs)—regardless of size to comply with the new legislation or cease operations. The cost of complying with the regulation—including supervisory costs estimated at $4,000 per month, and the costs of upgrading systems and skills to the standards of a regulated institution—would have been prohibitively high for most small institutions. At the same time, supervising a large number of very small organizations throughout the country would have been extremely costly for the CNBV and federations, and difficult—if not impossible—to do effectively, given the current supervisory capacity of the financial authorities. Exempting small, informal MFIs from regulation poses minimal systemic risk due to the limited scope of the organizations' operations and provides an opportunity for these less developed organizations to continue serving marginalized populations while they develop their capacity to transform into regulated entities.

Developing secondary regulations. Once the Savings and Credit Law was published, the project provided technical advice on the secondary regulations and assisted local organizations in developing recommendations for the GOM. As in the case of the SCL, the draft regulations were too cooperative-oriented, saddling the microfinance sector with regulations that were often inappropriate and difficult, if not impossible, to apply.

The regulations related to monitoring and evaluation of repayment risk were particularly problematic, because they did not recognize microcredit as a distinct form of credit with a unique risk profile. Mexican legislation recognizes three types of credit—housing, consumer, and commercial (productive)—each with a specific risk profile. Although microcredit is a type of productive credit, it cannot be evaluated properly as a commercial loan under Mexican law. Microcredit methodologies, including policies and procedures related to loan approval, loan monitoring and collection, payment frequency, and guarantees are distinct from those of other types of commercial credit. By applying the evaluation requirements for commercial loans to microcredit, the regulations made it extremely costly, or even impossible, for many institutions to provide microcredit.[5]

The project worked with local partners to revise and strengthen the secondary regulations. Initially, the secondary regulations were studied and discussed in committees organized around subject areas: Accounting and Information Technology, Prudential Regulation and Supervision, and General Organization. While the project had worked primarily with the director and board of ProDesarrollo on the SCL, in this case, there was broad participation of ProDesarrollo member institutions, as well as members of the newly created Supervisora ProDesarrollo (SPD) federation. This reflected the increased ownership of the sector in understanding and influencing the regulations under which it would eventually operate, which was at least partly the result of project-sponsored workshops and observational tours on regulation and supervision, and the project's successful work with ProDesarrollo on the SCL .
As a result of the recommendations introduced by partners with project support, and intensive discussions with regulatory authorities, **in 2003 the CNBV published secondary regulations that reflected a greater understanding of the unique operational and risk structure of microcredit transactions.** Specifically, the CNBV amended the regulations to allow most institutions to evaluate microcredit risk in accordance with evaluation requirements for consumer credit.[6] While the evaluation requirements for consumer loans are much less problematic than those for commercial loans, they are still inappropriate for microcredit in many ways.[7]

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[5] Microcredit cannot be effectively evaluated as commercial credit because regulations require that the total commercial loan portfolio and each loan be evaluated monthly. To evaluate commercial loans, each individual loan file must be reviewed to update financial information included in the borrower's file. Since microcredit portfolios consist of thousands of very small loans, this is an impossible task for MFIs. In addition, regulations require guarantees and financial documentation not typically used by MFIs worldwide to evaluate the repayment capacity of microenterprise clients and to control delinquency.
[6] The prudential regulations published to date apply a different set of operational requirements to institutions depending on the size of their total assets, with institutions classified into four levels. Level I corresponds to total assets below USD825 thousand. Level II corresponds to total assets below USD15 million. Level III corresponds to total assets below USD85 million and Level IV corresponds to total assets above USD85 million. Under the draft regulations, institutions classified as Level I and II were to evaluate all loans as if they were consumer loans. Level III and IV institutions, however, were required to evaluate microcredit as if they were traditional commercial credit. As a result of technical advising provided by the project, the CNBV adopted the interim solution of granting Level III institutions the right to evaluate microcredit as consumer credit. Since most MFIs are expected to reach Level III status over the next two or three years, this is an important step toward microcredit expansion.
[7] Payment capacity for a consumer loan is determined mainly by the income of the borrower. Payment capacity for a microcredit loan is determined by the ability of the borrower's business to generate sufficient profits to cover loan payments. Additionally,

Nonetheless, this was a critical step toward rationalizing the regulations, and a major breakthrough for the CNBV and the sector, opening the door for additional reforms.

By the end of the project, the CNBV had developed and applied new supervision tools to adequately analyze microcredit portfolios.[8] The CNBV also indicated its intention to further revise the regulations. When the new amended regulations are published, the microcredit methodology of MFIs will likely be considered when evaluating the risks associated with their loan portfolios, and microcredit loans will be treated as a distinct form of credit.

Strengthening the CNBV. In 2003, the CNBV requested project assistance to train staff in the regulation and supervision of microcredit operations. Using an innovative guided visit training methodology, project consultants and regulatory supervisors visited three popular finance institutions. During these visits, inspectors and supervisors evaluated the institutions' microenterprise credit portfolios, applying the new regulations. Through these practical, applied exercises, CNBV staff learned the importance of adapting regulations and supervisory tools to the unique characteristics of microcredit operations. With support from the project team, supervisors developed tools that have **increased the capacity of the financial authorities and supervisory federations to efficiently and effectively supervise the microcredit loan portfolios of microfinance institutions**. The tools are now being applied by the CNBV and three federations: FINE, UNISAP, and ALIANZA.

Facilitating Transformation: Development of the Authorization Guide

To standardize the analysis of each popular finance institutions' readiness to operate as a regulated institution under the new SCL, the CNBV designed an Authorization Guide. Meant to ensure that institutions are in compliance with the dictates of the primary legislation and the secondary regulations, the Authorization Guide is to be used by the CNBV and federations in conducting reviews of institutional applications for authorization.

Initial drafts of the document revealed inconsistencies and contradictions with respect to the regulations and review process, as well as processes that gave an undue advantage to newly formed—as opposed to existing—institutions. Project staff reviewed and discussed the Guide with representatives of federations and CNBV staff, making recommendations to improve the document. The resulting Guide simplifies institutional review, ensuring transparency and consistency in the authorization process. It also reduces reviewing costs and facilitates training.

Developing supervisory federations. The

the regulations for consumer loans do not allow for credit installments of less than one month and the guarantees requested have to be salary receipts. The compromise does include, however, a reserve table for bad loans that is appropriate for microcredit, but not for consumer type loans.

[8] The tools mainly use policies and procedures to manage and manipulate large data bases. They also identify critical areas where loan data bases should be manipulated to obtain accurate and fast results, and they emphasize information technology.

Savings and Credit Law calls for an auxiliary supervision system, based on Canadian and German models, in which federations organized by popular finance institutions function as supervisory bodies. Since federations in Mexico had never provided supervisory services, they needed guidance in developing appropriate organizational structures, policies, and procedures. The project worked with a group of MFIs to create the first supervisory federation specializing in microfinance: Supervisora ProDesarrollo (SPD). Technical assistance was provided to define the organizational structure, draft by-laws, and develop the institution's strategic and business plans, as well as the many operational documents required by law, such as Affiliation, Supervision, Organizational, Internal Regulations, Staff Selection, and Supervision manuals.

Unfortunately, SPD did not receive authorization to operate as a supervisory federation, due primarily to internal governance issues. However, the operational documents and manuals developed for SPD—the first of their kind in Mexico—were shared with the sector to guide the development of other federations. These manuals have helped at least one federation—FedRural—obtain certification for its supervision committee, which is the first step toward authorization to operate as a supervisory federation.

In sum, the project had a significant impact on the regulatory environment in Mexico, creating stronger legislation to govern the popular finance sector, fomenting adoption of best practices in microfinance regulation, and developing supervisory structures and tools.

B. Strengthening MFIs

As described earlier, when the project began the MFI sector suffered from weak financial management skills, high transaction costs, low productivity, and limited outreach. To address these weaknesses, the project introduced and institutionalized best practices in areas such as strategic and business planning; marketing and sales; internal control; and savings and credit, risk, and human resource management. New products were also developed and rolled out, and new sources of capital were established.

Institutional assessments. The project used in-depth and more informal participatory institutional diagnostics to assess partners' needs for technical assistance and training. The initial technical assistance and training packages were based on the perceived needs and priorities of project partners, and were selected based on what the project could best address with available resources. By focusing on the partners' priorities, the project garnered a stronger commitment to the activities and targets from them. Over time, as project technical staff gained the trust and respect of project partners, as well as a deeper understanding of the internal operations of the organizations, in many cases, the project team suggested additional activities critical to institutional strengthening that had not been on the partner's radar. **This incremental approach was critical to the success of technical assistance activities** carried out under the project.

Systematization of policies and procedures. One of the project's most important contributions to institutional strengthening was the systematization of operational policies and procedures through the provision of technical assistance and training to develop and implement operational manuals. The importance of operational manuals for MFIs cannot be overestimated. Clear complete manuals promote the consistent application of policies and procedures throughout the institution. They facilitate staff training, communication, risk management, transparent administration and decision-making, and they help lower transaction costs, all of which support sustainable institutional growth. Yet, when the project began, few institutions were operating with complete, up-to-date manuals for even their most basic credit and savings operations. As a result of the systematization of policies and procedures, the following impacts can be noted:

Reducing Delinquency Through Systematization

With project technical assistance, UP was able to reduce delinquency on its microfinance portfolio from 25 percent to 8.5 percent in six months. The project helped UP adopt a plan to control delinquency, better analyze microcredit risk, and improve collection policies and procedures. A standardized lending methodology and microcredit manual now guide loan officers in identifying qualified microentrepreneurs and outline best practices for loan collection. After six months of technical assistance, delinquency rates dropped below the ten percent mark and they have remained in single digits over the last two years.

- ***Stronger microenterprise credit operations.*** With project support, Unión Progreso and Fincomún developed integrated Credit Policy and Procedures Manuals. The Manuals, which were adapted to each institution's specific needs, consolidated the institutions' diverse credit policy documents, eliminated contradicting guidelines, and in some cases, revealed gaps in the institutions' credit policies. As part of the process of developing the Manuals, more efficient microcredit technologies, credit analysis, loan processing, and collection policies were introduced. **As a result, Fincomún was able to better evaluate and control credit risks, and UP was able to reduce credit transaction costs by 30 percent and dramatically reduce delinquency.**

- ***Transformation facilitated.*** To receive authorization to operate under the new Popular Savings and Credit Law, institutions are required to have a minimum of 16 operational and administrative manuals. Most institutions lack the technical know-how or in-house human resources to develop these manuals. To facilitate transformation, the project developed 10 of the most critical documents. Originally designed for Supervisora ProDesarrollo member institutions, to expand project impact templates of the manuals were developed and at the request of the GOM, distributed to all federations through BANSEFI, the Mexican development bank for the popular finance sector. It is estimated that **use of the templates could speed up the transformation process by at least a year in some institutions**.[9]

Institutionalization of strategic and business planning. The introduction of long-term strategic planning helped address a variety of factors limiting MFI growth—the concentration of information and decision-making authority in a few individuals, a focus on supply rather than market demand, and the absence of a growth-oriented outlook—thus stimulating fundamental changes in the institutional cultures of partner MFIs. Examples of this impact include:

- ***A stronger management team.*** In 2001, the project worked with Fincomún to develop its first long-term strategic plan. At the suggestion of project staff, the strategic planning team included managers from a range of Fincomún's departments and branches. One of the potential threats to the organization, identified through the planning exercises, was excessive reliance on the General Director. Fincomún has hence institutionalized participatory strategic

[9] Developing the 10 manuals normally takes 15-24 months. When the project distributed these manuals, few institutions had even begun to develop them.

planning or "strategic dialogue" and, in part with project technical assistance, is building a stronger management team.

- ***From a local to a regional focus.*** As a result of strategic planning in Unión Progreso, the credit union broadened its vision to a regional one. In three years, UP grew from one branch in Delicias, Chihuahua, to 18 branches throughout the state. As part of the strategic planning process, the project also helped UP redefine its organizational structure and develop a management team to support this growth. In the words of Raymundo Soto, General Director of UP, "You helped us significantly improve the organizational structure so that we now have an organization that will last in time and isn't dependent on the individuals, but rather on institutional structures, and on a personal level that helped us a great deal because it gave us the opportunity to delegate, be less involved in daily operations, and to spend our time engaging in more strategic activities."

- ***A new market orientation.*** With project support, FINCA instituted a participatory long-term strategic planning process in combination with the cutting-edge Balanced Score Card (BSC) performance management system to better organize and manage operations. The strategic planning process helped FINCA's management team integrate strategic and operational planning with financial projections and budgets; refine and redirect the vision and mission of the institution, shifting from a supply to a market-driven orientation; and initiate more planned and controlled growth. The process helped the institution better understand its market and identify strategies to address the competition. FINCA was one of the first MFIs in Mexico to adopt the BSC approach, which helped translate the strategic plan into operational monitoring targets.

- ***Operationalization of strategic plans: The financial component.*** To complement strategic planning, the project also provided technical assistance to MFIs to develop long-term business plans using the Microfin business planning model.[10] With the business plans, these institutions can now make more informed decisions regarding income generation, product pricing, and resource allocation, such as the timing of new branch openings. They can now project the number and value of loans, liquidity, and capital required to meet their expansion objectives. In addition to the three institutions cited above, the project developed business plans with FIMEDER, SEMEDIR, Unión de Credito General, Unión de Credito Comercial, and Grupo Vallarta.

Increased access to capital (DCA). To increase MFIs' access to capital, Development Credit Authority (DCA) guarantees were approved for Fincomún and Unión Progreso, which were monitored by the project. While the terms of the two guarantees differed, both were introduced in combination with a fixed term deposit product to help the institutions generate internal capital for on-lending, thereby decreasing or eliminating the need for external capital to finance expansion of microenterprise lending. Fincomún received a portfolio guarantee that was used as a marketing tool to capture fixed term deposits. Unión Progreso used its guarantee to expand into the microenterprise market, secure a loan from Wells Fargo Bank, and assist in capturing fixed term deposits.

[10] Microfin, the financial and business planning model, is a sophisticated Excel file created by Charles Waterfield and Tony Sheldon, published by the Consultative Group to Assist the Poorest.

Both guarantees were successful in stimulating savings mobilization and increasing microenterprise lending. In both institutions, total savings increased substantially. **More importantly, by stimulating deposits with longer maturities, the fixed term deposit product helped change the financial risk profile of both institutions, thereby freeing up more internal capital for on-lending.**

Although fixed term deposits were a new product for UP, at its height, UP captured $8 million in fixed term deposits—more than 8 times the value of the guarantee—which contributed to a more than twofold increase in total savings. While Fincomún already offered fixed term deposits when the project began, the DCA increased depositor confidence in the institution, contributing to the mobilization of an additional $7.2 million in fixed term deposits over the life of the project—more than five times the amount of the portfolio guarantee. Total deposits also increased by $8.79 million over the life of the project.

On the credit side, UP substantially exceeded the goals of the DCA Loan Guarantee Agreement. Over a three year period, UP made 2,357 loans worth $4.44 million, far surpassing the targets of 550 loans valuing $1 million. Fincomún also expanded its microcredit operations, dispersing 28,981 loans under the guarantee.

DCA Stimulates MFI-Bank Partnerships

The DCA helped Unión Progreso establish an international reputation as a solid financial institution. At the end of the guarantee period, Wells Fargo Bank indicated its willingness to once again lend to UP, but this time without a guarantee. The guarantee also helped convince a Mexican bank in Monterrey to start a debit card and ATM program in UP's 18 branches.

Introduction of new microfinance products and methodologies. In addition to the new fixed term deposits service, the project introduced microcredit products in three institutions to help **partner institutions reach new markets and expand more rapidly.**

- ***Solidarity group lending.*** When the project began working with FIMEDER in 2003, the institution was providing individual credit and operating with a group lending methodology that was inefficient and ill-suited to the needs of the institution's target market, which contributed to high desertion rates and slow growth. In 2004, the project provided short-term technical assistance to develop and implement a solidarity group lending product based on internationally-recognized best practices. The new group-based product was introduced in two new branches in August 2004. While the institution is still very small, according to FIMEDER's general director, with the new product, these branches are growing more rapidly than the institution's original branch. She also reported that FIMEDER reached 1,070 clients in December 2004, up from 322 in September.

  A template of the Solidarity Group Lending Manual designed for FIMEDER was made available to the sector. While a few Mexican MFIs are already employing some version of solidarity group lending, their application of the methodology tends to be inconsistent, undermining its effectiveness. The first of its kind in Mexico, it is expected that the manual will contribute to deeper MFI outreach, increased efficiency, and lower transaction costs.

- ***Individual microcredit.*** The project also introduced individual microcredit methodologies in Unión Progreso and Crédito Familiar. After years of providing agricultural credit, UP approached the project for assistance in entering the urban microenterprise market. With that assistance, along with the DCA guarantee, UP successfully entered the microenterprise sector, increasing its number of active credit clients from 115 in March 2001 to over 2,000 in June 2003.[11] Although UP was cautious in expanding its microlending services, as the project came to a close, it was preparing for more aggressive growth.

When Crédito Familiar—a large consumer credit institution—realized that 20 percent of its clients were microentrepreneurs, its director requested assistance from the project to develop a microcredit product with which it could better control and expand its microenterprise portfolio. In 2002, however, Crédito Familiar was purchased by a commercial bank, and despite the success of its microlending operations, new management was not interested in continuing with the product.

Improved marketing and sales capacity. Working with partners during the final year of the project, it became clear that even successful MFIs needed to strengthen their marketing and sales skills to achieve their expansion objectives. In 2004, marketing guides and strategies were designed and introduced in three partner institutions: FIMEDER, FINCA, and Fincomún. In addition, the project introduced the concept of Consultative Sales to our partners through a series of workshops. Consultative Sales is a technique used by many successful private companies to establish and maintain long-term relationships with clients, and boost sales and profitability. Under this technique, the Credit Officer acts as a consultant to the prospective client. Rather than pushing for an immediate "sale," the Credit Officer works with the client to help him or her determine the right products and services to meet his or her needs. The technique has proven useful in other countries for consolidating and expanding sales, especially in increasingly competitive and rapidly growing sectors.

Promoting good governance. Good governance structures and practices promote effective decision-making and accountability, and are essential to the sustainable growth of an institution. Yet, when the project began, the principles and importance of good governance were virtually unknown and rarely discussed. The project worked with two institutions to improve their governance structures: the ProDesarrollo network and FIMEDER.

ProDesarrollo has played a critical role in advancing the Mexican microfinance sector through its work on regulatory issues and training initiatives. However, like many institutions, its ability to reach its full potential has been limited in some ways by governance structures and practices that were not always transparent. Centralized decision-making practices, and a lack of clarity regarding the roles and responsibilities of the Board vis-à-vis the network's management, limited broader participation of members in setting the agenda for the institution, and sometimes undermined efficient implementation of network activities.

To help ProDesarrollo address these concerns, the project worked to increase the board's and members' awareness of governance issues through workshops and informal discussions. It also helped strengthen the Board and member institutions, and increased the capacity of the network's general director through exposure to microfinance best practices. As a result, ProDesarrollo has

[11] Between June 2003 and June 2004, the number of active borrowers declined marginally as the institution went through a merger.

begun to define and institute more effective, transparent governance policies and procedures, which are already producing more participatory management structures.

The project also worked intensively with FIMEDER to define and institutionalize good governance policies, procedures, and structures. As a result, FIMEDER now serves as a model for other MFIs in the sector.

FIMEDER: Constructing a Good Governance System for the Future

"For us, governance is a continuous process, with a life of its own, that seeks the long-term financial success of the business and achievement of the social component of the corporate mission," Norma Rodriquez, General Director, FIMEDER.

In 1969 a group of private business people concerned with rural poverty formed the non-governmental organization *Fundacion Mexicana para el Desarrollo Rural (FMDR).* FMDR's mission was to contribute to the integrated development of low-income *campesino* families through the provision of credit, education, training, and technical assistance for productive projects. After three decades of rural development work, FMDR realized that its credit program needed revamping due to weak credit policies and procedures, the social—rather than business—orientation of staff, and high delinquency. In addition, there was much discussion within the FMDR board of directors about the long-term sustainability of the credit program. In mid-2000, the leaders of FMDR concluded that the time was right to develop a specialized, regulated, and supervised MFI to correct these deficiencies and sustainably expand the supply of financial services, including savings, among low-income rural populations. However, within FMDR's board and senior management, there were differences of opinion on how to balance FMDR's social mission with the commercial-orientation of a regulated institution.

Without resolving this issue, in early 2003, FMDR took the first step toward creating a regulated financial entity—FIMEDER. Led by a strong general director with a commercial vision, FIMEDER began with a pilot branch in a peri-urban area of Mexico City in order to gain operational experience and test the institution's systems and procedures. According to projections, FIMEDER is expected to reach 83,000 clients in five years.

<u>The Challenge</u>

Once the pilot branch began operating, conflicts with FMDR surfaced. On the operational side, there were discrepancies regarding the lines of authority, segregation of functions, independence of the general director from the board of directors, and operational control. Strategically, FMDR questioned the business focus of the new institution. In short, there was a debate about the integration and control of the governing structure of FIMEDER. This situation put the future of FIMEDER in jeopardy, since some people in FMDR believed that the mission of the new entity and its operational autonomy were inconsistent with and contrary to the development interests and social vocation of FMDR. Both institutions recognized the need to resolve these conflicts and in mid 2003, FIMEDER sought assistance from USAID to define the relationship between the two organizations, as well as FIMEDER's own governance structures.

<u>The Search for a Solution</u>

In February 2003, the Implementation of the USAID/Mexico Microenterprise project organized a governance workshop with the candidates for FIMEDER's board of directors, whom at the time were still members of FMDR's board. The objectives of the workshop were to help participants understand the importance of autonomous management structures and instruments to guarantee profitable, sustainable operations, free of conflicts of interest, and to find a balance between the social and commercial orientations of FMDR and FIMEDER. The workshop successfully achieved consensus on these issues and a change in attitude regarding FIMEDER's governance challenges and FMDR's social vision. Members of FIMEDER's future board committed to the good governance principles discussed at the workshop and to the commercial nature of the new institution. Evidence of this consensus and commitment can be seen in the organizational principles drafted to guide the preparation of the formal statutes of the new entity, which established the following:

1. The composition and structure of shareholder capital of the new entity, which permits broad-based shareholder participation without the concentration of power in groups.
2. The commitment of current and future shareholders to the mission, vision, and values of the entity independent from FMDR.
3. The role of the board of directors as a governing council and not an administrator of the entity.
4. The management autonomy of the general director.
5. The mechanisms of control and oversight, based on principles of transparency, efficiency, and accountability.

<u>The Result</u>

A little over a year after the governance workshop:

1. A commercial enterprise called *Promotora de Servicios Rurales, S.A. de C.V.,* was legally constituted, which has raised US$2 million in capital from 165 shareholders through a private offering.
2. The board of directors has been established as a governing council in accordance with the dictates of the statutes. It will be formed by 11 counselors, exclusively *titulares,* 3 of whom are independent, lending further objectivity to council decisions. Additionally, two shareholders participate as observers.
3. The general direction exercises its functions autonomously, but is accountable to the administrative council, in accordance with FIMEDER's statutes.
4. FIMEDER has its own offices and staff that carry out their activities based on the code of ethics of the institution.

Today, FIMEDER enjoys a governance structure consistent with internationally recognized best practices. Partly as a result of its sound governance structure, FIMEDER has received a positive qualification from the federation that will supervise it and is ready to present its application for authorization to operate as a regulated entity to the Superintendency of Banks.

C. Supporting Mexican Training Initiatives

Technical assistance to partner MFIs effectively addressed many of the weaknesses that had hindered their institutional growth. However, with a small staff, there were limits to the number of MFIs that could be strengthened . Additional sector-wide technical assistance and training initiatives were needed to achieve a broader, more lasting impact on the microfinance sector.

In 2000, there was only once source of specialized microfinance training available in Mexico: The Latin American Regional Training Institute (COLCAMI). However, COLCAMI's courses were limited in scope and were more academic than practical. Moreover, the costs of attending COLCAMI or other local or international training were prohibitive for many Mexican institutions.

Initially, the project planned to help develop COLCAMI's curriculum. However, after showing initial interest, COLCAMI became less receptive. ProDesarrollo, a project partner that had been operating primarily as a forum for the exchange of information among network members, also indicated interest in becoming a specialized training institution. Ultimately, working with ProDesarrollo, and to a lesser extent the Ministry of Economy's National Microenterprise Finance Program (PRONAFIM), the project increased access to and the availability of national and international microfinance training. As highlighted below, local sources of training were developed or strengthened and best practices were introduced on a national scale.

- ***A new source of local best practices training.*** The project helped create a needed local source of best practices training in Spanish. The first annual Latin American Microfinance Leadership Program, organized by ProDesarrollo, was held in October 2003 and repeated in November 2004. Modeled on the English language Microfinance Training Program, offered at the Naropa University in Boulder, CO, the week-long intensive training program provides tools that MFIs and other microenterprise service providers need to grow and prosper. The Consultative Group to Assist the Poorest (CGAP)—which provided a trainer and organizational support to the first course—is interested in investing in this program to make it the flagship best practices training program in the region.

Latin American Microfinance Leadership Program Spurs Adoption of New Practices

The Leadership Program directly impacted a number of institutions. For example, the microfinance institution, Solfi, initiated a micro credit scoring project based on a model presented at the course. Another MFI, Espacios Alternativos, improved its financial management by adopting the Table of Accounts presented at the course.

- ***Stronger public sector training programs.*** The Fox Administration created PRONAFIM in 2001 to provide credit, training, and technical assistance to the microfinance sector. As a newly created program, PRONAFIM confronted the same challenges faced by the sector as a whole: limited experience with microfinance best practices and in organizing practical training events. The project worked with PRONAFIM to identify critical training topics and good trainers, develop course content, and design effective training formats. The project helped PRONAFIM design a practical credit officer training course, a governance course (discussed in more detail below), and the Third National Microfinance Conference. Feedback from course and conference participants indicates that project assistance has led to a marked improvement in the quality of trainers, training content, organization, and educational materials in the training provided by the program.

- ***Better business planning.*** In 2000, many MFIs were operating without business plans. Through a series of workshops sponsored through ProDesarrollo, the project introduced a leading business planning tool—Microfin—to the sector. Microfin has since been adopted as the standard business planning model for microfinance institutions in Mexico. Important in its own right to promote better planning and controlled growth, the tool also aids the transformation of MFIs under the SCL.

  Institutions applying for authorization to operate as regulated popular and savings entities are required to submit financial projections for three years following a format established by the CNBV. In reviewing applications, federations are required to evaluate these projections using specific financial ratios and performance criteria. To facilitate the generation and evaluation of this information, the Microfin model was adapted by the project to include the formats and financial ratios established by the CNBV. To the fullest extent possible, the calculation of ratios and projected financial information has been automated. **This modified version of Microfin enables MFIs to submit the required information easily and accurately, and it facilitates federations' analysis of MFIs' applications for certification. As the project came to a close, at least eight institutions—FINCA, Fincomún, FIMEDER, Unión de Crédito Progreso, Unión de Crédito General, Unión de Crédito Comercial, Grupo Vallarta and FINSOL—were using the program.**

- ***Good governance takes center stage.*** In addition to working with individual institutions to improve governance, the project put good governance on the national agenda by working with PRONAFIM staff to design the first national course on MFI governance. Through case study analysis, participants sharpened their understanding of good and bad governance practices. As a result of this course, governance has become a permanent topic of discussion and is being taken seriously in institutional strengthening activities.

- ***Increased interest in, and access to, microfinance training: the Financial Management Scholarship Fund.*** As mentioned above, cost discouraged many MFIs from acquiring the training they needed. Developed by the project and managed by ProDesarrollo, the Financial Management Scholarship Fund quickly became the most popular service provided by the network. Through the provision of 351 partial scholarships, the program enabled staff from 90 institutions to attend national and international training events and conferences. According to the president of ProDesarrollo, the scholarship program helped participants understand the importance of education and training that had been lacking in the sector. It also contributed to the adoption of new or improved practices, in areas such as credit analysis and loan collection, internal controls, risk management, and strategic planning. **As a result of the scholarships, beneficiary institutions report reductions in delinquency and operational costs as well as improved planning processes, among other achievements. Scholarship recipients also report that the contacts made through these events have facilitated**

lateral learning and the identification of new sources of training and technical assistance.

D. Increasing Understanding of the Role of Microenterprise

When the project began in early 2001, little was known about the role of microenterprise in the Mexican economy, a fact that hindered the creation of pro-microenterprise policies and programs. For the most part, microenterprises were regarded as a social safety net. Consequently, the majority of GOM resources—technical assistance, training, and financing—was channeled to small, medium and large enterprises, leaving microenterprises without the support they needed to prosper and fully contribute to employment and income generation. To promote more informed dialogue and policymaking, two studies were conducted and disseminated under the project: one that assessed the contribution of microenterprise to the Mexican economy, and another that evaluated microenterprise needs and priorities, and the relationship between microenterprises and migration.

The study on the contribution of microenterprise to the Mexican economy was one of the first research projects to provide statistical information on the sector. It revealed the heterogeneity of the microenterprise sector, highlighting the presence of subsistence level businesses with minimal growth prospects as well as those with greater potential for growth. The results of the study were published in national newspapers and widely distributed among academics, donors, and policymakers.

The research on microenterprise needs and migration evaluated the distinct needs of different microenterprises to better inform policymaking and the allocation of resources for business development programs. The results of this study were disseminated in early 2004, significantly expanding the data available on Mexican microenterprises.

SECTION III

Lessons Learned and Best Practices

In the following section, we highlight the principle lessons learned and best practices that emerged during project implementation in the hope that our experience may guide others working in the sector.

Lessons Learned

Be prepared to address governance issues. Work on governance should be part of every technical assistance support project in Mexico. Project work has shown that without good governance practices, the best designed activity can fail. Good governance provides leadership, a sense of purpose and direction, transparency, and accountability. It builds strong and long lasting management teams and support personnel. It inspires the confidence of clients and the community in which the institution operates. To increase the chances of success, in-depth institutional diagnostics of potential partners should include an analysis of the institution's governance structures, policies, and procedures. The willingness and commitment of the partner to improve governance should be discussed and incorporated into technical assistance agreements as necessary.

When working with associations (networks or federations), our experience suggests that it is advisable to work with association leaders (board and management) and member institutions at the same time. If member institutions are not aware of or practicing good governance, they are unlikely to practice or demand it at the network level. Similarly, members who are less familiar with microfinance best practices or national issues affecting the sector are less likely to participate in governance bodies, contribute to setting the network's agenda, or demand accountability. Unfortunately, in the case of SPD, the project was not successful in institutionalizing the good governance practices required to ensure member confidence in the federation. Ultimately, many member institutions withdrew from the federation and the federation's supervision committee was not certified.

The project's work with ProDesarrollo was more successful. To promote a stronger, more participatory board, director, and membership, the project provided microfinance training opportunities for network leaders and members. The project supported regional network meetings to increase the participation of members located outside the network's home base in Mexico City, and sponsored observational trips to member institutions. Project staff were also active in ProDesarrollo's bi-monthly membership breakfasts. These breakfasts were effective venues for disseminating best practices, inducing lateral learning, and building membership knowledge and mutual trust. Over time, these activities have helped encourage a deeper, more active board membership and greater member participation in general assembly meetings.

Promoting change requires leverage and a long-term commitment. With limited human and financial resources, the project could not provide all of the assistance needed by project partners, and instead selected discrete, strategic interventions. Since the project was, for the most part, neither the largest nor the only technical assistance provider for any given partner, it was a challenge to promote the broad-based institutional change needed. In addition, institutional strengthening is generally a gradual process requiring intensive, long-term support. As mentioned earlier, during three of the four project years, the project had only one long-term technical advisor—who also served as chief of party—and short-term consultants. During the last year, an institutional strengthening advisor was hired. While in many cases the project was successful in introducing new or improved practices in partner institutions with short-term consultants and the two long-term staff members, more could have been done with a larger long-term technical team.

Sign formal technical assistance agreements with partners. A corollary to the previous lesson is that to increase leverage and avoid misunderstandings, it is advisable to sign formal technical assistance agreements with partners, clearly spelling out the type of assistance to be provided, the rights and obligations of both parties, and clear, measurable performance targets linked to project interventions. Initially, the project did not sign such formal agreements with partners, though this practice was adopted in 2003 when the project expanded. While important progress was made under the initial, informal technical assistance agreements, the formality of the signed agreements helped to increase partner's commitment to the goals of the agreements and improve reporting on progress towards meeting those goals. They also facilitated improved impact monitoring.

Develop broad-based support for institutional strengthening. As a result of the generally centralized decision-making structure of partner institutions, the project tended to work intensively with MFIs' general directors. Since the involvement of mid-level managers and MFI boards in initial work planning was often minimal, the project sometimes encountered resistance to change when work began with mid-level managers and other staff. Project staff were generally successful in overcoming this resistance by taking the time necessary to discuss implementation with both general directors and middle management, and providing high quality training. Nonetheless, working with the directors to involve the boards and management teams from the outset would likely facilitate more rapid adoption of new approaches and practices.

Timing is (almost) everything. Despite the best efforts of project staff, at times, project partners were simply not ready for what we had to offer or to implement new ideas as quickly as we had hoped. Some institutions showed initial interest, then shifted their focus to other institutional activities beyond the scope of the project. In one case, internal problems independent of the project delayed implementation of the technical assistance package. In another, the absorptive capacity of the partner was low, which slowed the provision of technical assistance. In most cases, the planned activities were eventually carried out with positive results.

Best Practices

Identify and work with local opinion leaders. As stated above, the project worked on the draft legislation at the request of partner institutions, led by the ProDesarrollo network. ProDesarrollo had a strong interest in advancing the law and was well known and respected in the microfinance sector. Working with ProDesarrollo was critical for two reasons. First, it provided the project an "in" to the policy debate it would not otherwise have had. At the outset of the project, both USAID and project staff were newcomers to the Mexican microfinance sector. The project chief of party accompanied the ProDesarrollo general director to meetings with legislators and GOM officials involved in drafting and implementing the new regulatory framework. Through these meetings the project developed the relationships with the Mexican public sector that made the project's later work with the National Banking Commission possible.

Second, ProDesarrollo had the ability to convoke a wide-range of MFIs, both member and non-member organizations, for discussions on the legislation. By working with ProDesarrollo, the project helped create a consensus on a series of recommendations for the drafters of the legislation that reflected the realities of a range of institutions.

Promote local capacity and leadership. Ultimately, the sustainability of any project resides in its success in creating local capacity to build upon project impacts long after the project ends. To achieve that goal, the project team generally worked behind the scenes, directing most of its efforts towards increasing local knowledge, capacity, and leadership. Project staff and consultants served as mentors or guides, helping local partners identify problems and solutions. The majority of project support on regulatory issues, for example, was delivered to local counterparts to assist them in developing their own proposals for regulatory reform, which they themselves presented and defended to the GOM. Similarly, the project did not develop supervisory instruments for the CNBV, but rather helped supervisors design their own instruments with the information they gained from the guided visits to popular finance institutions. As a result of this low-profile, mentoring approach, the project gained the respect of local institutions and gained new local partners—which allowed the project to achieve more than originally planned. Most importantly, the sector is now better organized and able to address current and future development challenges. And the sector now enjoys greater leverage with the GOM agencies responsible for designing microenterprise and microfinance-related public policies.

Build relationships. The effectiveness of the project in building relationships was critical in a variety of ways. First, through organization and sponsorship of observational tours and workshops, the project brought together all stakeholders in the regulatory reform process. The subsequent dialogue and mutual understanding led to more effective advocacy on the part of the sector and more informed policymaking.

Second, though time consuming, the capacity of project staff to develop productive working relationships with partner institutions was essential to the adoption of microfinance best practices. As noted earlier, until recently, international technical assistance providers had a minimal presence in Mexico, and Mexican MFIs are often skeptical of assistance provided by external advisors who are unfamiliar with their institutions and the Mexican context. To overcome this skepticism, project staff placed a premium on understanding and working within the institutional culture and decision-making structures of each partner institution. They did not rush to impose their own technical assistance agendas on partners. Rather, while working within the institutions on partner priorities, they took the time necessary to understand each institution's operations and build relationships based on mutual trust and respect. A lot of time was dedicated to informal talks with partners to discuss a range of topics affecting the sector and individual institutions. Once the relationships had been developed, they were able to broaden the scope of the technical assistance with the buy-in of the institutions.

Leverage resources. To maximize the impact of the project, project staff took every opportunity to leverage resources. The Financial Management Scholarship Fund provided partial scholarships, requiring beneficiaries to cover part of the cost of participating in training events. The project team also collaborated with other donors on activities such as sponsorship of The Latin American Microfinance Leadership Program, and support for SPD and FEDRURAL. Finally, training courses designed by project staff for partner institutions were opened to non-partner MFIs and interested parties, extending the outreach of the project from 6 to 25 popular finance institutions, as well as a variety of federations, GOM agencies and programs, and a local training institute at a negligible additional cost. Opening these courses to non-partners also served to build relationships with additional institutions that had originally been outside the reach of the project. As a result, by the end of the project, project staff had more requests for direct technical assistance than they could respond to with available time and resources.

Be Flexible. The project was highly responsive to market demands, redirecting resources where they could have the greatest impact. For example, one of the original goals of the project was to develop models to provide services for rural microenterprises. When the project was developed, there were virtually no rural microfinance providers. However, in 2000, The World Bank initiated a large-scale rural microfinance program with the GOM. It was decided to redirect the project's limited resources to areas where it could have a greater impact: additional policy work and technical assistance to help partner MFIs meet the demands of the new legislation. Similarly, the project shifted resources from partners that were unresponsive to those that were.

Be patient. No project can completely control the pace of change in local partners. Recognizing that some institutions have a low absorptive capacity or shifting priorities, the project was careful to advance at partners' speed, distinguishing between unresponsive partners and those that simply needed more time.

Provide high quality technical assistance and training tailored to clients' needs. While the limits of short-term technical assistance are highlighted above, the high quality of short and long-term technical assistance was a hallmark of the project. As a result, USAID—new to the sector when the project began—became a respected and source of technical assistance, in high demand even with the influx of a large number of international technical assistance providers midway through the project. The project was careful to tailor technical assistance and training to the unique characteristics of partners and the Mexican operating environment, to include partners in the selection of consultants, and to fill niches unattended by other service providers.

Combine DCA guarantees with technical assistance. In Mexico, to take full advantage of the DCA guarantees, the beneficiary institutions needed technical assistance and training to systematize their credit policies and procedures, and promote fixed term deposits. As discussed earlier, this combination led to a noteworthy increase in the provision of microenterprise credit and the accumulation of significant internal capital for on-lending, thus reducing or eliminating the need for external capital to finance expansion.

Respond and show results rapidly. By showing early results, the project was able to stimulate demand for project services and obtain the support of key counterparts. It also helped generate commitment among partners to making more difficult changes with delayed results. Within a few months of project start-up, DCA agreements were signed with Unión Progreso and Fincomún. The publicity surrounding these agreements raised the visibility of the project, creating significant demand for project assistance. Similarly, through work with Fincomún on strategic and business planning during the first three months of project operations, the project began to establish itself as a provider of high quality technical assistance. Fincomún requested support throughout the life of the project and became a champion of the Microfin model, which led to the widespread adoption of the latter.

Select MFI partners with strong, capable general directors. The project selected partner MFIs with strong general directors who provided the vision and leadership needed for institutional strengthening. As noted elsewhere, one of the challenges the project encountered was the concentration of authority in one individual and the need to build strong management teams, but without the support and leadership of the general directors, it would not have been possible to institute the wide-ranging reforms achieved by the project.

SECTION IV

Looking Forward

The Implementation of the USAID/Mexico Microenterprise Strategy project made important strides in creating the institutional foundations for sustainable growth of the microfinance and microenterprise sectors. In addition to the achievements highlighted elsewhere in this report, one of the principle impacts of the project was helping create momentum for further advancement of the sector. In this section, we provide recommendations for future projects, building upon the progress achieved to date in policy reform and institutional strengthening, and the knowledge we have gained over the last four years. Much remains to be done. The technical assistance provided to partners should be expanded to a broader range of institutions and new activities that were beyond the scope of this project.

- *Increase the capacity of local technical assistance providers.* Local technical assistance and training suppliers, like ProDesarrollo, ANMYF, Colcami, or cooperative federations should be strengthened so they can provide high quality, market-driven technical assistance and training to the cooperative, rural, and microfinance sectors. Assistance is needed in areas such as business planning, market analysis, training program development, development of sustainability strategies, and identifying or training trainers.

- *Federation training.* Strong federations must be developed to effectively supervise and support MFIs. To date, most federation support has been given by international technical assistance providers and has focused on preparing federation supervision committees to obtain certification to operate. In addition, only one international organization is providing supervision committees this certification.[13] To ensure the effectiveness of these federations in the long term, a permanent local source of federation support should be promoted and supported. It is recommended that future projects work with local institutions to develop a specialized federation training program that includes certification and training of supervision committees.

- *CNBV support.* At the CNBV's request, the project had planned to organize a training course for 25 CNBV supervisors to transfer the knowledge gained from the guided visits to a larger number of staff. However, it was not possible to complete this activity within the timeframe of the project. In addition, building on the supervisory tools developed during the guided visits, a logical next step would be to develop a chapter on supervising microfinance operations and institutions for the CNBV's Integrated Supervision Manual. Development of additional tools, guides, and standardized procedures for conducting supervisory visits, addressing problems identified during these visits, and conducting MIS system checks and audits are also recommended. Training given to the CNBV on microfinance should expand to include other departments and levels of authority within the institution. Presently, most training has been provided to the social banking sector supervision department.

[13] The certification is a type of diploma that indicates that a supervision committee has satisfactorily completed a supervision training program and meets the basic requirements to provide supervisory services. The certification is required by regulations.

- *Secondary regulations.* Despite the improvements made to the regulations through the project, there is a consensus that many of the secondary regulations remain too stringent for non-bank financial institutions, especially cooperatives, and that they need to be further adapted to the unique credit methodologies and risk profiles of microenterprise credit operations and MFIs. Rationalization of these regulations is critical to avoid discouraging formalization and undermining the capacity of otherwise viable institutions to comply with the law. A distinct microcredit risk profile should be included in the regulations, in addition to the three existing risk profiles (consumer, housing, and commercial). Once this risk is added, then microcredit analysis, approval, monitoring and collection, and provisioning requirements will have to be adapted, among other regulations.

- *Knowledge generation and sharing.* Exposure to and adoption of best practices has increased in Mexico over the last few years. However, there is still a need to expand access to international best practices and promote the dissemination of Mexican experiences nationally. National fora —such as conferences, microfinance websites, and bulletins—should be developed or strengthened to achieve this end. ProDesarrollo and a newer MFI network, ANMYF, have websites and listserves, and the former has developed a network bulletin. With technical assistance, these local initiatives could be developed for broader access and sector-wide relevance.

  Similarly, few academics in Mexico are discussing and researching microfinance best practices. Sponsoring academics' attendance at microfinance training courses and facilitating collaboration between Mexican and international academics and research institutes could stimulate interest in the sector and promote research on Mexican innovations and best practices.

- *MFI strengthening.* To meet the requirements of the Popular Savings and Credit Law or simply to strengthen and expand services, MFIs need more technical assistance and training. While the specific needs of institutions vary, our experience demonstrates most need assistance in the following areas: governance, risk management, product development, marketing, strategic and business planning, accounting standards, and management information systems.

  - *Governance.* As has been discussed at length in this report, good governance structures, policies, procedures, and practices play a decisive role in the sustainable provision of financial services. While the importance of good governance is now being discussed at a national level, MFIs will need assistance to strengthen their boards and introduce policies and procedures consistent with internationally recognized best practices. It would be sensible to analyze the feasibility of establishing a governance institute that could study, approve, and disseminate best practices locally. Such an institute could provide a certificate of good governance that could be used to reduce the cost of accessing capital, and obtain and maintain authorization to operate under the SCL.

  - *Risk management.* Risk management is a new discipline in the Mexican microfinance sector and MFIs need to strengthen their ability to manage financial, market, operational, and external risks. While the project developed an Integrated Risk Management Manual for the sector, technical assistance and training are needed to help MFIs understand the importance of risk management and to incorporate appropriate strategies into their daily operations.

- *Product development.* The SCL provides MFIs the opportunity to offer a wide range of products and services, depending on their level of development. Currently, most are offering a limited number of standard credit and savings products based on partial knowledge of their actual and potential clientele. MFIs need help conducting in-depth market research and designing new products in order to better meet the needs of the microenterprise sector and expand their client bases.

- *Strategic and business planning.* The project successfully introduced long-term planning practices in a number of partner institutions through the provision of customized technical assistance. Nonetheless, the majority of popular finance institutions continue to operate without long-term strategic and business plans. Ongoing assistance is needed in this area.

- *Standardized accounting practices.* Few MFIs are using the Generally Accepted Accounting Principles (GAAP). MFIs authorized to operate under the SCL will have to adopt these principles. However, unregulated institutions should also introduce these standards in order to better manage their financial operations. All of these institutions will need hands-on training, and probably financing, to develop a core of accountants and auditors and to obtain appropriate management information systems, as well as accounting software and hardware to manage their institutions properly.

- *Management information systems.* While the project originally contemplated support for strengthening the MIS of partner institutions, as a result of changing priorities, only Unión Progreso received assistance in this area. Management information systems will need to be developed or upgraded to improve cash flow analysis, portfolio quality monitoring, and decision-making. Technical assistance and training should be provided to assess MFIs' needs, help them select, design or purchase hardware and software, and train staff in their use.

- *Operational manuals.* As discussed earlier, the project developed and distributed a series of operational manual templates required by law for MFIs seeking authorization to operate as regulated, deposit-taking institutions. Follow up is needed to assist MFIs in adapting these manuals to their specific institutions in preparation for transformation.

➢ *Coordination.* Coordination among national and international technical assistance and training providers, in the private and public sectors, should be vigorously pursued. Presently, there are a large number of service providers working in Mexico with different technical assistance approaches, scopes of work, and levels of experience. Often, these providers find themselves in competing positions, sometimes working with the same institution. A sense of common direction, approach, and vision are needed to avoid duplicating efforts and introducing conflicting policies and procedures.

In the last four years, the Mexican microfinance sector has made major strides toward removing the barriers that have prevented its consolidation and expansion. With additional technical assistance in these and other areas, Mexico is poised to become a leader in the region and the world.

Annex A: Results Framework Summary

Intermediate Results	Activities	Observations
IR1: Increased communication and collaboration among ME finance and other service providers to define constraints to ME growth and organize Mexican initiatives		
Sub IR 1.1: Mexican objectives for strengthening the institutional foundations for microenterprise defined and action mechanisms developed	- Mexican Working Group constituted - Observational trips to other countries made by selected MWG members - At least two workshops conducted on key issues constraining ME growth for MWG members - MWG sets objectives, identifies priorities, and creates plans to create a supportive environment for ME growth	All activities were completed. Over time, the MWG ceased to operate as such. Nonetheless, the project continued to work intensively with the MWG leader, ProDesarrollo, as well as individual MFIs on a demand-driven basis to strengthen the institutional foundations for microenterprise.
Sub IR 1.2: Legal framework for the strengthening and expansion of microenterprise established*	- Analysis of the draft SCL completed - Report on the central points to consider in discussions of the SCL completed - Report on the changes introduced into the SCL as a result of project technical assistance completed - Reports discussed with strategic allies and approved by the CNBV - Collect information on secondary regulations from at least 3 countries	All activities completed. The SCL was passed and the CNBV adopted many of the recommendations made by the project directly and through partner institutions. While not without their weaknesses, the SCL and implementing regulations are living documents that represent an important step forward for the sector.
IR2: Selected ME finance institutions' management ability strengthened to help increase and improve credit and financial services to microenterprises		
Sub IR 2.1: Feasibility of creating a new credit bureau to serve the specialized needs of MFIs determined	- Pre-feasibility study completed on creating a small, private credit bureau	

Sub IR 2.2: Sustainable source(s) of capitalization accessed for microenterprise	- At least one source of readily accessible capital opened to partner MFIs for lending to microenterprise	The project surpassed the objectives of this IR by helping establish an ongoing relationship between Wells Fargo Bank and Union Progreso, and creating or increasing the availability of internally generated capital by promoting fixed term deposits in partner MFIs Union Progreso and FinComun.
Sub IR 2.3 MFIs institutional capacity strengthened to increase microenterprise access to credit and financial services	- Financial services training and technical assistance provided in accordance to needs - Policies and procedures to strengthen partner MFIs designed and implemented - Cost-effective information system in place in partner MFIs - Additional mechanisms for reducing transaction costs designed and tested with MFI partners	While the project helped Union Progreso strengthen its MIS, due to client demand and resource limitations, the main focus of institutional strengthening activities was elsewhere.The project provided a wide range of demand-driven technical assistance and training to partner MFIs. As documented in the main body of this report, as well as quarterly and annual progress reports, this helped partners reduce transaction costs, increase efficiency, and expand financial services.
Sub IR 2.4: Specialized federation on supervision of popular finance institutions organized	- At least four working meetings conducted - Three international observational tours conducted to study supervisory federations - Organizing Committee conducted - Feasibility study or Work Plan for creating the federation completed - Federation organized with select members of ProDesarrollo, the MWG, and/or similar interested MFIs	With intensive project advising, the federation was formed in 2003. However, project staff was unable to convince federation leaders to make the changes needed to resolve governance and related issues, and the newly formed federation was ultimately dissolved. Subsequently, the project helped FedRural secure certification of its supervisory committee and contributed to strengthening a wider range of federations through the distribution of SPD's organizational and operational manuals—the first to be designed in Mexico.
Sub IR 2.5: Structures, policies, and processes transformed to one of the legal figures under the new SCL	- Secondary regulation reviewed and analyzed - Transformation action plans developed - Advising provided to develop proposals for additional financing developed - At least two partner MFIs authorized to operate under the new law	For reasons beyond the control of the project, the CNBV has not begun to authorize institutions yet. Nonetheless, the project helped eight institutions develop the financial projections needed to request authorization and as the project came to an end, two project partners were prepared to submit their requests for authorization with all necessary documentation.

IR3: Increase understanding and appreciation of the role of microenterprise in the Mexican economy		
Sub IR 3.1: Study of ME needs, priorities completed Sub IR 3.2: Relationship analyzed between ME and the need to migrate, and results used to inform decisions on targeting ME resources	- Study of ME needs and priorities completed - Study of relationship between ME and migration in areas of high out-migration completed - Based on study findings, policy dialogue opened with GOM, other donors, NGOs, MFIs, and appropriate USAID offices concerning future targeting of ME resources	The two studies, which were merged into one, were completed and disseminated in early 2004.
Sub IR 3.3: Information base developed to educate GOM policymakers and others on the contribution of ME to Mexico's economic growth	- Study of actual and potential ME contribution to Mexico's economic growth and linkages completed - Results disseminated and discussed with key GOM and other donor decision-makers	The study, which was completed and widely disseminated, was one of the first studies to provide statistical information on the sector. While the study was in some ways overtaken by events—unlike the Zedillo administration, the Fox administration, which took office in December 2000, was already convinced of the importance of microenterprise—the study provides a detailed analysis of the contribution of microenterprise to the Mexican economy.
IR4: Models and mechanisms developed to meet the financial needs of rural microenterprise		Formally removed from the project contract in 2002.
Sub IR 4.1: Identify institutions and/or develop mechanisms to provide financial services to ME in selected rural areas		

*Shading indicates and Intermediate Result that was added to the project contract through contract modifications in 2001 and 2002.

Annex C: Final Report Financial Management Scholarship Fund

EVENT / ACTIVITY / WORKSHOPS	BUDGET	TOTAL EXPENDITURES (WASHINGTON)	TOTAL EXPENDITURES (MEXICO)	INVOICES PENDING DISBURSEM.	TOTAL EXPENDED	TOTAL FUNDS REMAINING	PERCENTAGE OF FUNDS SPENT
PD / SCHOLARSHIPS 2003	52,000.00	$ 17,325.00	$ 30,863.24	$ -	$ 48,188.24	$ 3,811.76	92.67%
PD / SCHOLARSHIPS 2004	8,500.00	$ -	$ 7,744.43	$ -	$ 7,744.43	$ 755.57	91.11%
CJB / WORKSHOPS	10,000.00	$ -	$ 14,136.94	$ -	$ 14,136.94	-$ 4,136.94	141.37%
CHEMONICS / RISK WORKSHOP	15,000.00	$ -	$ 13,509.00	$ -	$ 13,509.00	$ 1,491.00	90.06%
SOLIDARITY GROUP LENDING AND CODE OF ETHICS MANUALS	-	$ -	$ 366.00	$ -	$ 366.00	-$ 366.00	100.00%
BOULDER SCHOLARSHIPS	31,810.00	$ 27,768.00	$ 4,042.00	$ -	$ 31,810.00	$ -	100.00%
OTHER SCHOLARSHIPS GRANTED (PRONAFIM WS)	-	$ -	$ 1,267.66	$ -	$ 1,267.66	-$ 1,267.66	100.00%
TOTAL	117,310.00	45,093.00	71,929.27	-	117,022.27	287.73	99.75%

Scholarships Granted per Quarter / Mexico FS Program

Concept:	Scholarships	Male	%	Female	%
Fourth Quarter (Oct-Dec) 2001:	9	6	67%	3	33%
First Quarter (Jan-Mar) 2002:	35	20	57%	15	43%
Second Quarter (Apr-Jun) 2002:	-	-	0%	-	0%
Third Quarter (Jul-Sep) 2002:	10	6	60%	4	40%
Fourth Quarter (Oct-Dec) 2002:	44	27	61%	17	39%
First Quarter (Jan-Mar) 2003:	-	-	0%	-	0%
Second Quarter (Apr-Jun) 2003:	7	4	57%	3	43%
Third Quarter (Jul-Sep) 2003:	30	15	50%	15	50%
First Quarter (Oct - Dec) 2004:	13	6	46%	7	54%
Second Quarter (Jan - Mar) 2004:	56	26	46%	30	54%
Third Quarter (Apr-Jun) 2004:	41	22	54%	19	46%
Fourth Quarter (Jul-Sep) 2004:	106	60	57%	46	43%
Total Scholarships Granted :	351	192	55%	159	45%

Scholarship Distribution Analysis

Concept:	Scholarships
Number of Institutions:	94
Number Of Individuals:	284
Total Scholarships Granted:	351

Workshops Organized By Training Provider:

Concept:	Workshops	Participants	Total Cost	Average Cost
Prodesarrollo	27	188	$ 55,933	298
Chemonics	51	159	$ 29,280	184
Boulder Colorado	1	4	$ 31,810	7,953
Totals	79	351	$ 117,022	USD

Scholarship Detail Information:

Workshops	Date	Cost Per WS	# of Scholarships	Male	%	Female	%
IV Inter-American Microenterprise Forum (BID)	13-Nov-01	$ 4,500	9	6	67%	3	33%
Internal Control Mechanisms for MFIs (PRONAFIM)	24-Jun-02	$ 4,000	8	3	38%	5	63%
federation Strategic Planning (SPD)	24-May-02	$ 1,480	8	6	75%	2	25%
Microfinance Best Practices (COLCALMI)	8-Apr-02	$ 2,250	5	3	60%	2	40%
Information Technologies SFP (COMACREP-DGRV)	11-Jun-02	$ 595	7	4	57%	3	43%
Best Practices in Savings Mobilization (WOCCU)	23-Apr-02	$ 3,500	7	4	57%	3	43%
Market Studies, MicroSave Africa (SEEP)	12-Aug-02	$ 1,000	2	1	50%	1	50%
Planning and Budgeting (CICE)	19-Sep-02	$ 467	1	1	100%	-	0%
V Inter-American Microenterprise Forum (BID)	9-Sep-02	$ 3,500	7	4	57%	3	43%
5th Anniversary Aniversario of the Microcredit Summit (SUMMIT)	10-Nov-02	$ 4,960	10	7	70%	3	30%
The Role of the Promoter (PRONAFIM)	2-Oct-02	$ 1,752	7	-	0%	7	100%
National Microfinance Conference (PD)	2-Dec-02	$ 3,744	27	20	74%	7	26%
Strategies to Reduce Costs of Supervision (Dejardins)	7-May-03	$ 408	1	1	100%	-	0%
Popular Finance, Educations, and Organization (Colmena)	30-May-03	$ 1,278	4	2	50%	2	50%
Business Planning and Projections (MICROFIN)	19-May-03	$ 490	1	-	0%	1	100%
Raiffeisen Cooperatives (RAIFFEISEN)	7-Jun-03	$ 490	1	1	100%	-	0%
2nd Workshop "The Credit Officer, MFI Change Agent"	18-Jul-03	$ 4,128	12	5	42%	7	58%
Internal Control and Fraud Prevention	21-Jul-03	$ 2,674	7	6	86%	1	14%
The 2003 Microfinance Training Program (Naropa)	12-Jun-03	$ 500	1	-	0%	1	100%
Module One: Tallent and Human Capital	18-Aug-03	$ 130	1	-	0%	1	100%
VI Inter-American Microenterprise Forum (BID)	3-Sep-03	$ 2,500	9	4	44%	5	56%
Governance (PRONAFIM)	26-Oct-03	$ 1,268	3	3	100%	-	0%
Market Research (PD)	3-Nov-03	$ 3,841	10	3	30%	7	70%
Business Management (CII)	21-Jan-04	$ 3,674	29	12	41%	17	59%
Credit Analysis (CII)	4-Mar-04	$ 2,259	27	14	52%	13	48%
Risk Management (CII)	19-Apr-04	$ 13,509	27	16	59%	11	41%
Financial Analysis (PD-CGAP)	17-May-04	$ 3,816	14	6	43%	8	57%
The 2004 Microfinance Training Program (Naropa)	18-Jul-04	$ 31,810	4	2	50%	2	50%
Applied Consultative Sales (CII)	22-Jul-04	$ 3,217	33	22	67%	11	33%
2nd Central American Microfinance Conference (PD)	30-Jun-04	$ 858	1	-	0%	1	100%
Challenges and Opportunities of Transformation (PD)	18-Aug-04	$ 1,591	13	8	62%	5	38%
Portfolio and Delinquency Management (CII)	26-Aug-04	$ 4,987	40	27	68%	13	33%
Guided Visit to Promujer (PD)	27-Aug-04	$ 567	13	1	8%	12	92%
VII Inter-American Microenterprise Forum (PD)	8-Sep-04	$ 913	2	-	0%	2	100%
	Total Participants:	$ 116,657	$ 351	$ 192	55%	$ 159	45%

*** Data in the current file was converted to USD using Standarize Exchange Rate as the USD Exchange Rate.**

Annex D: Final Report - Other Project Supported Workshops*

Workshop	Date	Cost Per WS	# of Individual	Male	%	Female	%
Finca / Consultative Sales	30-Jul-04	$ -	54	-	0%	54	100%
Came / Consultative Sales	14-May-04	$ -	14	5	36%	9	64%
Fincomun / Consultative Sales	3-Sep-04	$ 131	15	9	60%	6	40%
Pronafin / 3er Taller para Oficiales de Credito	9-Jun-04	$ -	246	165	67%	81	33%
Solidarity Group Lending and Code of Ethics Manuals	13-Oct-04	$ 366	32	20	63%	12	38%
3rd National Microfinance Conference - Monterrey	21-Sep-04	$ -	306	216	71%	90	29%
		$ 497	667	415	62%	252	38%

*Project provided advising on the design of the workshop, instructors, or similar support.